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Casey, an Architect of Aid for Contras, Sent Former Aide to Assist, Sources Say

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WASHINGTON—Former Central Intelligence Agency Director William Casey helped create the network that armed Nicaraguan rebels while Congress cut off their U.S. military assistance, and arranged for a top aide to work for the operation.

According to current and former government officials, Mr. Casey encouraged a former CIA station chief in Nicaragua to retire from the agency at the end of 1985 to work overseas in the private Contra aid network overseen by Lt. Col. Oliver North, then a National Security Council aide.

The arrangement illustrates how Mr. Casey helped sustain the Contras when U.S. military aid was cut off between late 1984 and last October. As CIA director, he assigned several veteran intelligence officers to help the insurgents, and he was briefed by Col. North on details of the multi-million dollar private aid operation, according to the sources.

The former director's role is significant because he was both the nation's highest ranking intelligence officer and a close friend and political adviser to President Reagan. "(Mr.) Casey wouldn't have done this all on his own," said one intelligence official. "He was a player and a mover of the president," said another intelligence source.

Speculation on Casey's Role

There have been increasing allegations that Mr. Casey played the central role in the Iran-Contra affair in recent weeks. Ill with cancer, Mr. Casey has become an isolated, almost defenseless target in official Washington. But intelligence sources said he was only one of several architects of the Contra aid network. "Everybody is pushing him off the cliff," one senator said.

The former CIA officer assigned by Mr. Casey to work in the arms network was a highly regarded operator who headed CIA operations in Nicaragua and then served as a special assistant to the director in 1985. Intelligence sources said they believe he moved overseas early last year to help direct arms deliveries to the Contras.

Separately, two intelligence sources said the head of the CIA's counterter-

rorism center, Duane "Dewey" Clarridge, a favorite of Mr. Casey, received one of 15 encrypting devices the National Security Agency gave Col. North last year. The Contra aid network used the specially modified Grid portable computers provided by the electronic surveillance intelligence agency to ensure secure communications.

Sources said the former CIA station chief in Costa Rica also had one of the coding machines. They said another was installed in a San Salvador house used by ~~crews flying arms to the Contras~~. These flights included supply runs to forces in southern Nicaragua that the former CIA official in Costa Rica and Rafael Quintero, a former agency operative, arranged.

Aide Kept Records

The sources said Mr. Clarridge, who earlier had overseen the Contra war as the head of CIA operations in Latin America, kept extensive records of his activities and his contacts with Mr. Casey and with Col. North. The sources said these records may help investigators clarify the former CIA director's role in the Contra aid network. Mr. Clarridge has said privately that he has yet to be interviewed by congressional investigators, but he is expected to be called by the panels.

Administration officials and intelligence sources said Col. North met Mr. Casey, usually alone, at least once a week. The meetings sometimes occurred in the CIA director's office in the old Executive Office Building next door to the White House, where Col. North worked. Investigators said records from Col. North's office and NSC documents confirm that Mr. Casey and Col. North had frequent contacts.

At a meeting early last year, Col. North gave Mr. Casey a detailed briefing on the private Contra aid network in the former aide's cramped office, according to former associates of Col. North. An intelligence source said that during the meeting, Col. North described the secret Contra airlift based at El Salvador's Ilopango air base and Mr. Casey said that, in his opinion, Col. North's arms network was legal.

In early 1985, Mr. Casey, a former tax lawyer, had helped Col. North formulate a plan to set up tax-exempt corporations to help raise money for the Contras, sources said. In a memo to former National Security Adviser Robert McFarlane on March 16, 1985, Col. North recommended establishing a tax-free Nicaragua Freedom Fund Inc. under section 501(c)3 of the tax code, according to the Tower Commission on the Iran-Contra affair.

Contra Tax Break

"Ollie didn't know what a 501(c)3 corporation was," said one administration official. "It was (Mr.) Casey's idea to offer a tax break for contributing to the Contras."

A former senior official deeply involved in the administration's Nicaragua policy said the proposal was part of a "concept plan" for private aid to the Contras prepared by Col. North in March 1985. The official said the plan never was submitted to the president or approved.

The former official said Mr. Reagan and his senior aides never debated the wisdom or the legality of supporting private aid to the Contras. Instead, he asserted, a 1984 Saudi Arabian offer to contribute \$1 million a month to the rebels "made any such decision moot."

"There was no need to stir up private contributions, no conscious posing of the problem or weighing of alternatives, and no decision by the president to get nongovernment sources," the former senior official said.

Ex-Director Cast as Heavy

In the past few weeks, Mr. Casey has been cast as the heavy in the Iran-Contra affair. At the CIA, some officials who once staunchly defended their boss now accuse him of corrupting the agency by assigning a few officers to help the Contras during the time when Congress prohibited the U.S. government from aiding them. "There were some problems here, but he left," said one CIA official, in a pointed reference to the former director.

A malignant tumor was removed from Mr. Casey's brain in December. Last week, unable to speak or to feed himself, he returned to Georgetown University Hospital for further treatments. He since has been released.

Meanwhile, copies of a Treasury Department foreign bank reporting form—anonously sent to newspapers—have prompted new reports of CIA involvement in the Contra network. The form appears to have been prepared on behalf of Energy Resources International, one of the private companies that sold arms to the insurgents. A phone number for a classified CIA office appears on the document.

Energy Resources is described in the form as having a financial interest in an account held in the name of a second company at Banco de Iberoamerica in Panama City. The information generally is in line with what has been known previously about this account. But the presence of the phone number typed onto the form is unexplained.

And there appears to be contradictions in the addresses given on the form. A Maryland post office box listed for Energy Resources is, in fact, leased by Citicorp Financial Inc., which confirmed that it was



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using the box currently but denied any knowledge of the clandestine arms company. Similarly, a second post office box listed for Banco Iberoamerica is leased by the Internal Revenue Service data center in Detroit.

The precise corporate makeup of Energy Resources remains unknown, but the firm is believed to be controlled by former Air Force Maj. Gen. Richard Secord, who has consistently refused any public comment on his role in the Contra network.

A CIA spokeswoman denied that the agency violated congressional restrictions on aid to the Contras.